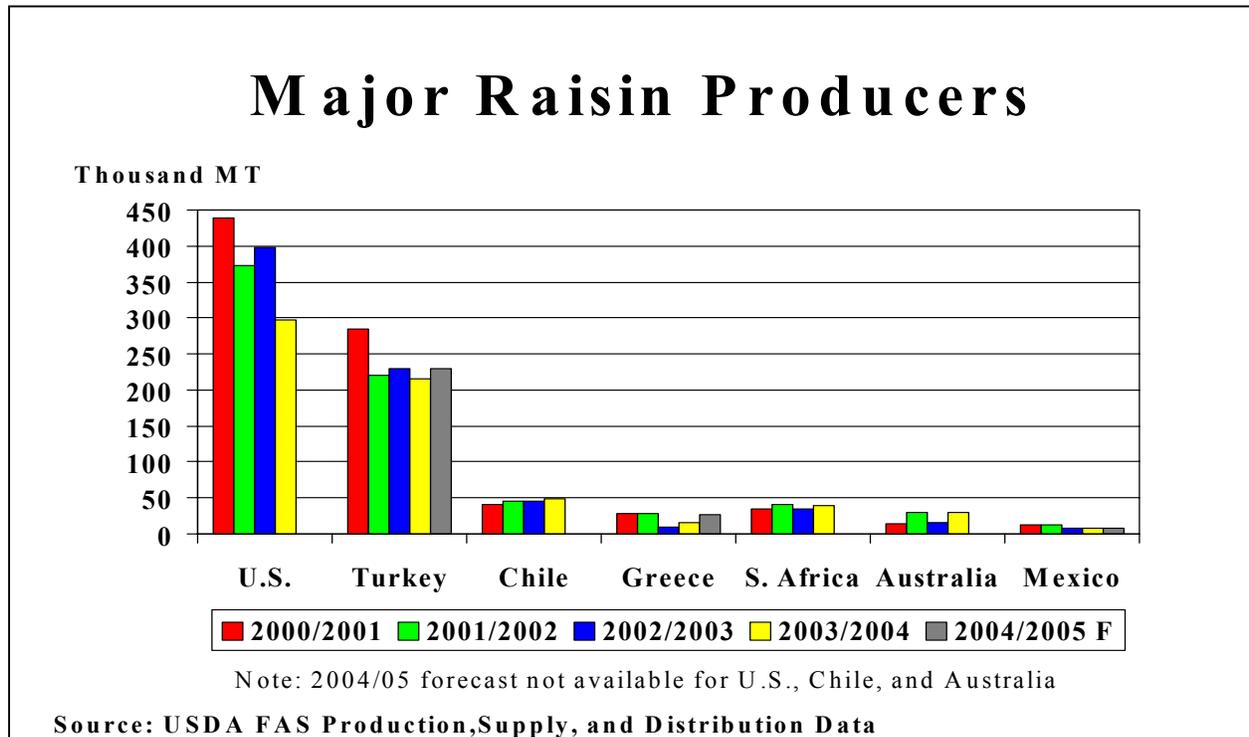


Raisin Situation and Outlook in Selected Countries

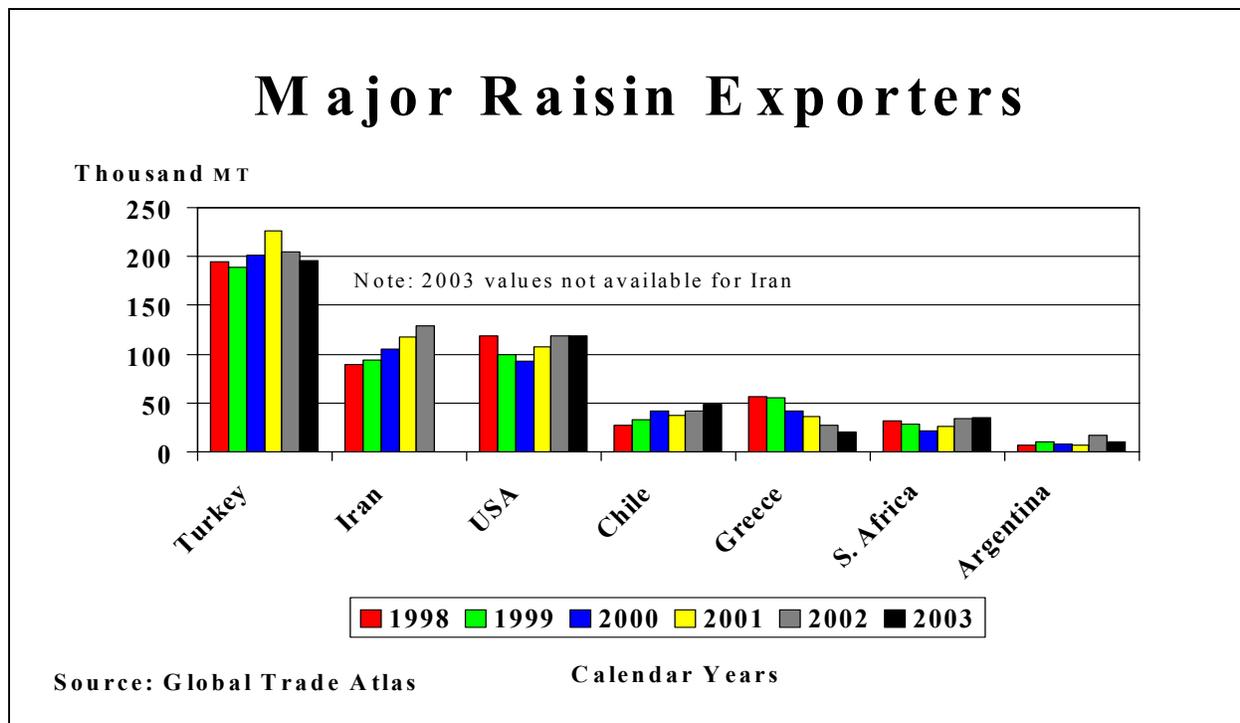
For marketing year (MY) 2003/04, raisin production in selected northern hemisphere countries has been revised downward to 534,543 metric tons. This is a 17-percent decrease from the final total of 645,303 tons estimated for the previous year. Supplies in Greece are expected to be lower than normal levels in MY 2003/04 due primarily to poor weather conditions. The production level for Turkey, however, was revised upward due to better than expected growing and drying conditions. Production in Mexico is expected to be only 4 percent higher than the 2002/03 level, while the United States is projected to decrease production by more than 20 percent from last year's level. For MY 2004/05, production for selected northern hemisphere countries, not including the United States, is forecast at 263,500 tons. In the southern hemisphere, production for 2003/04 is estimated at 118,200 tons, an increase of 22 percent from the 2002/03 level. Favorable weather conditions and higher yields increased 2003/04 production in Australia and output is expected to reach 29,500 tons. Chile and South Africa are expected to have slightly higher production for their 2003/04 raisin crops than was seen in 2002/03, with increases of 6 percent and 14 percent, respectively.

Global Production and Trade



The United States is the largest raisin producer in the world. Combined with Turkey, the second largest producer, the two countries typically account for more than 95 percent of production among the major northern hemisphere producing countries, and generally, about 80 percent of global production.

The top raisin exporters are typically Turkey, Iran and the United States. In calendar year (CY) 2003 Turkey exported 196,000 tons, while the United States exported 119,291 tons. Export values for Iran are not available for 2003.



Greece

The 2002/03 (marketing year September 2002-August 2003) output was estimated at 1,000 tons, a drop of almost 67 percent from the previous year. Disastrous rainstorms hit both the island of Crete and the area of Peloponnese, the two main raisin-producing areas, and led to the dramatic decrease. As a result, most of the production was of inferior quality. Sultana Cooperatives in the major producing areas are estimating that production will be slightly higher for the 2003/04 crop due to continued adverse effects of last year's flooding. However, this year's crop is of excellent quality, mostly grade No. 2 with smaller amounts of No. 1 and No. 4. The production estimate for 2003/04 is set at 15,000 tons, with 12,000 from the island of Crete and 3,000 from Peloponnese. Although it is very early, sources in the field report that production in 2004/05 could return to normal levels if conditions remain favorable. The forecast for the 2004/05 marketing year has been set at 26,000 tons. Under normal conditions, Greek raisin production reaches 25,000-30,000 tons. Typically, about 84 percent is the marketable amount of raisins while the remaining 16 percent is utilized for animal feeding, vinegar production, and waste.

Although Greece has typically been a large exporter of raisins behind Turkey, Iran, and the United States, it dropped to become the sixth largest exporter in CY 2003. In 2002, Greece's raisin exports totaled 27,636 tons. In CY 2003, total Greek exports of raisins dropped by 26 percent from the same period a year earlier, and 42 percent from the same period 2 years ago. Increased competition in European markets from Turkish and Chilean raisin exports, as well as 2 years of disastrous crops, have led to the decline.

Despite the production shortfall in 2002, raisin imports were minimal. While Greek imports in CY 2002 declined by 78 percent to reach 489 tons, CY 2003 imports increased by more than 450 percent over the previous year. These increases in imports have come mainly from Turkey, Iran, and Chile, while Australia and South Africa have also contributed.

Mexico

The Mexican raisin production estimate for 2002/03 (marketing year August 2002 to July 2003) was revised downward to 7,140 tons, mainly due to a significant decrease in area planted. Yields, however, were up to 2.4 tons/ha, due to more efficient use of water resources and improved raisin varieties. Many growers were forced out of business during the past year due to lower-priced Chilean imports combined with scarce water supplies in the Caborca region, Mexico's predominant raisin-producing area. Production for 2003/04, however, is forecast to increase by almost 4 percent, totaling 7,440 tons. In recent years, raisin production in Mexico has decreased substantially due to difficult producing conditions, such as low international prices, lack of credit, and water availability. Industry sources indicate that the prevailing situation is forcing them to look for raisin varieties that offer better yields and quality than traditional varieties, giving producers better profits and better overall value for their raisins. Production for MY 2004/05 is forecast at 7,500 tons, only slightly more than last year's revised estimate, due to slightly higher expected yields.

Mexico typically sends about 90 percent of its exported volume of raisins to the United States, with most of the remainder headed to other Latin American countries. Exports in CY 2002 were 3,529 tons, a 27-percent decrease from the 2001 level. Lower international demand is credited for Mexico's decreased exports. However, due to expectations that international markets will offer better prices, MY 2004/05 exports are forecast at 4,300 tons. Raisin imports for 2004/05 are also forecast to be slightly higher than 2003/04 levels due to good domestic demand. In CY 2002, Chilean raisins had an approximate 81-percent market share in Mexico. However, in CY 2003, imports of U.S. raisins grew by more than 137 percent, pushing the U.S. share to nearly 49 percent and leaving Chile with 51 percent of the market. This is due to significant increases in demand for premium-quality raisins by the processing sector. Many of these imports occur at the end of the Mexican season when there is a shortage of high-quality domestic raisins.

The main raisin-producing areas in Mexico are the northwestern states of Sonora and Baja California. Sonora produces about 98 percent of total output, while Baja California accounts for about 2 percent of the total. Many producers in the state of Sonora are increasing their use of more efficient irrigation systems to combat the problem of water security, which is a major expense in raisin production. Water typically accounts for approximately 19 percent of the total cost of production in Mexico.

Due to decreases in raisin production in Sonora, only seven processing plants are currently active. They typically export the highest quality raisins and sell the remaining production to the domestic wholesale market. In Mexico, raisins are typically sold in 10-kilogram boxes, ½-, and 1-kilogram bags. There is almost no demand for individual raisin packages in Mexico. The

domestic market is typically saturated right after production time (September through October) due to lack of storage capacity.

Turkey

For 2003/04 (marketing year September 2003-August 2004), Turkey's raisin production estimate has been revised, reaching a total of 215,000 tons, down 7 percent from the previous year. Although several factors contribute to the lower production forecast, primarily plant disease and poor weather conditions are to blame. In addition, export prices in MY 2000, MY 2001, and MY 2002 were low, which discouraged growers from making new plantings or expanding orchards. The quality of the MY 2003/04 crop, however, is expected to be very good due to ideal weather conditions during the harvesting and drying period. Production for MY 2004/05 is forecast at 230,000 tons. This slight increase will be possible if weather conditions remain favorable during the rest of the growing and drying season.

Turkey is the top raisin exporter in the world. In CY 2003, exports totaled more than 196,000 tons. Between 2000 and 2002, its total exports averaged nearly 211,000 tons. The export forecast for MY 2004/05 has been set at 200,000 tons. The majority of Turkey's exports are destined for European markets. In CY 2003, over 70 percent of Turkey's exports were shipped to EU countries. Imports by Turkey, however, are very small. A high tariff, combined with high levels of production, limit export opportunities to Turkey. In CY 2001, the United States was the top supplier, shipping only 2,119 tons. However, there have been no U.S. exports to Turkey since then.

Domestic raisin consumption in Turkey fluctuates depending on supply and quality of the raisin crop. One of the single largest consumers is The State Liquor Monopoly (TEKEL). TEKEL generally consumes 70,000 tons of fresh grapes and low-quality raisins for distillation purposes. The mix between fresh grapes and raisins changes depending on the price and availability of lower quality raisins. In MY 2003, Turkish domestic consumption is estimated at 30,000 tons with 17,000 for confectionary purposes and the remaining quantity for TEKEL.

United States

The United States is the largest raisin producer in the world. The 2003/04 (marketing year August 2003-July 2004) production has been estimated at 297,103 tons, a 25-percent decrease from the previous year. Recent years have seen very high production levels with a record of 439,531 tons in 2000/01. The large surplus production combined with stagnant domestic demand have resulted in large stock inventories. In 2002/03, an estimated 43,000 tons of raisins were diverted through a Raisin Administrative Committee (RAC) sponsored raisin diversion program. In May 2003, changes were made to the diversion program to provide the RAC additional flexibility for implementing the program. In large part, these measures have led to the drop in production for 2003/04. For the first time in 5 years, a field price of more than \$1,000 per ton was established for raisins by the Raisin Bargaining Association. The price was set at \$1,110 per ton, which is \$300 more than was offered last year. This decision was made to

counter the offer made by the wine industry to purchase green grapes to be crushed at \$200 per ton, twice the amount offered in the last 3 years. It is unlikely that there will be much surplus raisin production this year due to an expected low harvest and the high price for juice grapes that entice growers to sell part of their crop to the wine industry.

The United States is typically the world's second or third largest exporter of raisins. In CY 2003, U.S. raisin exports totaled 119,291 tons, up from 118,765 tons in 2002. In 2003, the United States' largest export markets were the United Kingdom (U.K.), Japan, Canada, Germany, and China. Japan is the top consumer, generally purchasing more than 20 percent of exports. Recent years have seen increases in exports to China. CY 2003 exports to China were 86 percent higher than CY 2002. The U.S. industry is hopeful that India will become a major destination for U.S. raisins. Although high tariffs have limited export opportunities to India and recent changes in India's import requirements for raisins also threaten to hinder export growth to that market, the U.S. industry is hopeful that it will become a strong market. Several shipments have recently entered the market and the industry is hopeful that its marketing efforts will continue to reap more sales as India's growing middle-class demands high-quality U.S. product.

Total imports of raisins by the United States tallied 12,720 tons in CY 2003, a decrease of 16 percent from the previous year. Chile, South Africa, Mexico, and Argentina are generally the top four foreign suppliers, providing 97 percent of total raisin imports. However, in 2003, Chile's sales to the United States increased considerably, giving it a 60-percent share of the U.S. import market for that year.

The RAC has received a budget ceiling of \$2,281,018 to market California raisins under the Market Access Program (MAP) during the 2004/05 marketing year. MAP funding is allocated for China, Hong Kong, Hungary, Italy, Japan, Malaysia, Philippines, Scandinavia, Singapore, Spain, South Korea, Taiwan, Thailand, and the United Kingdom. The RAC's primary objectives in these markets are to increase consumer and trade awareness of the quality of California raisins, and to show the product's versatility in baking and cooking. Recently, the industry has shown much interest in exporting raisins under USDA's food-aid programs. To facilitate this goal, the industry established an export price for food-aid raisins at \$490 per metric ton in December 2003. Under the McGovern-Dole Food For Education program, 200 tons of raisins were exported to Guatemala. Additionally, the 2004 Food for Progress program approved 200 metric tons of raisins for aid to Jamaica.

Australia

Australia's dried grape production estimate for 2002/03 (marketing year March 2003-February 2004) has been set at 16,118 tons. This represents a 46-percent decrease from the 2001/02 level. Production was reduced to almost half its potential due to extreme heat, poorly timed rainfall followed by long periods of humidity. This is lowest production level on record since 2000/01. The 2003/04 production estimate has been set at 29,500 tons due to favorable weather. However, parts of the Sunraysia district, Australia's largest production region, suffered from a significant frost event, which has adversely affected some producers in that area.

Although Australia's exports have typically been greater than imports, import levels have been higher than exports since 1997/98. This has been mainly due to lower than average production, increased competition from wineries for grape supplies, and an appreciating Australian dollar over the past several years. In CY 2003 exports totaled 8,244 tons, an increase of 9 percent from the previous year. The main markets for Australian raisins are Germany, the United Kingdom, and Canada. Typically, these three countries consume around 65 percent of Australia's exports. Australia's raisin imports in CY 2002 declined by 5 percent to a level of 19,731 tons, while CY 2003 imports dropped further to 18,107 tons. The top suppliers to Australia are Turkey, Greece, and the United States. Turkey typically supplies more than half of Australia's imports of raisins.

Chile

Chile's raisin production estimate for MY 2003, which began in January 2004, has been set at 48,700 tons. Raisin production in Chile is based mainly on lower quality table grapes and those not fit for the export market. As such, increases in the availability of discarded table grapes due to a fall in demand by wineries have led to increased raisin output. In the next few years, it is expected that competition from the wine industry will diminish as recently planted vineyards continue to come into production. This will likely increase the annual availability of grapes for juice concentrate and raisin production.

In CY 2003, Chile exported 48,094 tons of raisins, an increase of over 15 percent since the previous year. In 2003, Chile's top export markets were the United States, Brazil, Mexico, Colombia, and Peru. These six countries consumed nearly 60 percent of Chile's raisin exports. Although the Latin American market accounts for about half of Chile's raisin exports, the European market is growing significantly due to the signing of the EU-Chile free trade agreement, and the resulting reduction of the 2.4-percent tariff on raisins to zero. Generally, only the best quality raisins are exported, with the remainder going to the domestic market, which is small and usually consists of the baking, pastry, and ice cream industries.

Chile's raisin imports are typically very small. Imports totaled 190 tons in CY 2002, with 64 percent originating from the United States. In CY 2003, imports dropped to 26 tons, an 86-percent decrease from the previous year. Only 2 tons originated from the United States that year.

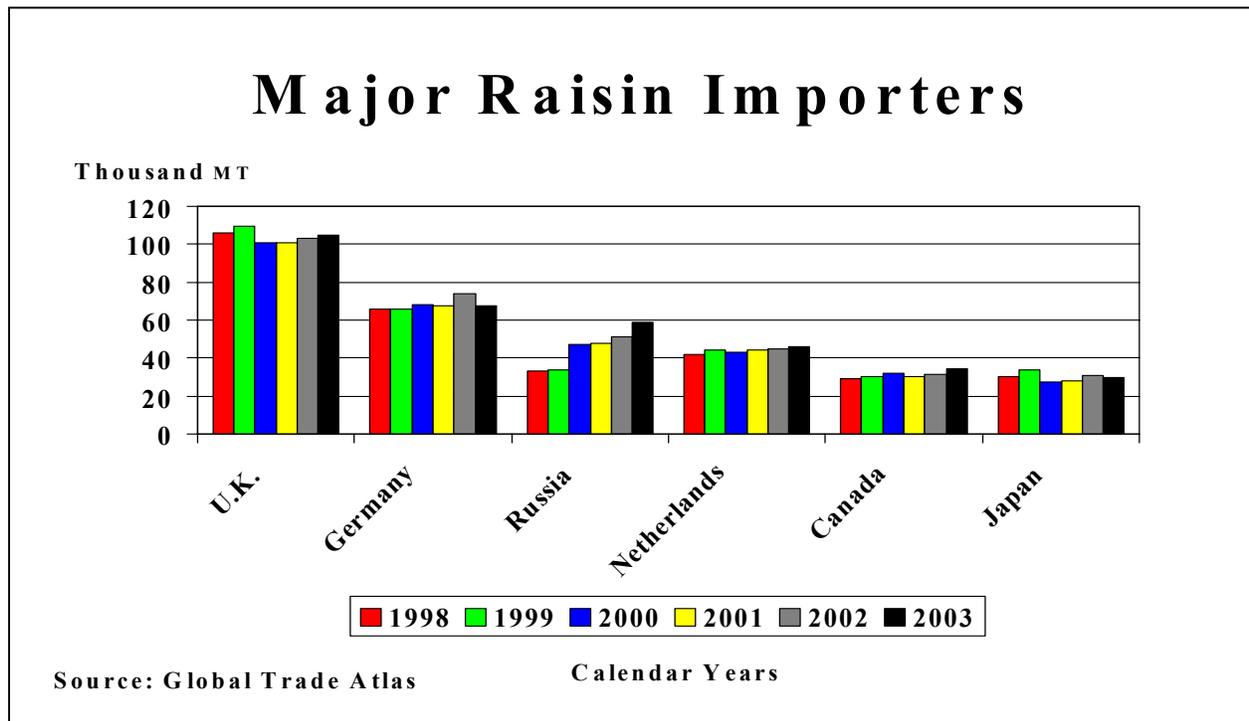
South Africa

The production estimate for the 2003/04 (marketing year January 2004-December 2004) crop has been set at 40,000 tons. Due to heavy rains during harvest, this year's crop is expected to be of lower quality, although total production will be roughly the same as last year. High moisture tends to darken the sultana variety of dried grapes. As a result, more Thompson seedless raisins are expected this season compared to golden varieties.

In CY 2003, South Africa exported 34,519 tons of raisins. South Africa's top export markets are Canada, the United Kingdom, Germany, France, and the Netherlands. Together, these five countries typically consume more than 65 percent of South Africa's raisin exports. CY 2003 exports to the United States fell to 1,264 tons from 2,576 tons in CY 2002. South Africa's raisin

exports to the United States are eligible for duty-free entry under the African Growth and Opportunity Act (AGOA).

South Africa's imports of raisins are typically very small. In 2003, imports totaled less than 163 tons, valued at less than \$200,000.



World raisin imports in CY 2003 totaled more than 619,000 tons, a decrease of 3 percent from the previous year. Typically, the top raisin importing countries are the U.K., Germany, Russia, the Netherlands, Canada, and Japan. The U.K. generally imports around 100,000 tons; Germany, 70,000 tons; Russia and the Netherlands around 40,000 tons; with Canada and Japan around 30,000 tons. These six countries imported 55 percent of the world's raisin trade in CY 2003.

(The FAS Attaché Report search engine contains reports on the leading dried fruit producing countries, including Australia, Chile, and South Africa. For information on production and trade, contact Dwight Wilder at 202-690-2702. For information on marketing contact Lisa Twedt at 202-720-6086.)